

**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Boyle County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$538,245 from the beginning of the year, resulting in a cash surplus of \$3,588,180 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003, was \$5,160,000. Future collections of \$7,356,943 are needed over the next 16 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$47,056 as of June 30, 2003. Future principal and interest payments of \$48,259 are needed to meet these obligations.

Notes payable loan agreements totaled \$321,296 as of June 30, 2003. Future principal and interest payments of \$333,351 are needed to meet these obligations.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Deposits:

As of June 30, 2003, the fiscal court's deposits were uninsured and uncollateralized by bank securities or bonds by \$373,951.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BOYLE COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES	12
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPES.....	17
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES.....	21
NOTES TO FINANCIAL STATEMENTS	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	33
SCHEDULE OF OPERATING REVENUE	36
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	40
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	45
COMMENT AND RECOMMENDATION	49
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Boyle County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund types; and the related statement of cash flows - proprietary fund types for the year then ended. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Boyle County Municipal Properties Corporation. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boyle County Municipal Properties Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Boyle County, Kentucky, as of June 30, 2003, and the revenues received and expenditures paid for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2004, on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Boyle County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed –
September 3, 2004

BOYLE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Tony W. Wilder	County Judge/Executive
Martin G. Curtis	Magistrate
Donnie Coffman	Magistrate
Phil Sammons	Magistrate
Jim Ryan	Magistrate
John Davis	Magistrate
John Hudson	Magistrate

Other Elected Officials:

Richard Campbell	County Attorney
Barry Harmon	Jailer
Denise Curtsinger	County Clerk
Trudy Stevens	Circuit Court Clerk
Leeroy Hardin	Sheriff
Eddie Tamme	Property Valuation Administrator
James Ramey, M.D.	Coroner

Appointed Personnel:

Mary C. Lynn	County Treasurer
Marcia Pierce	Occupational Tax Collector

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

BOYLE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 2,606,908	\$ 486,526	\$ 386,635
Total Assets	\$ 2,606,908	\$ 486,526	\$ 386,635
<u>Other Resources</u>			
Amounts to Be Provided in Future Years for:			
Capital Lease	\$ 20,331	\$ 26,725	\$
Bond Payments			5,040,974
Total Other Resources	\$ 20,331	\$ 26,725	\$ 5,040,974
Total Assets and Other Resources	\$ 2,627,239	\$ 513,251	\$ 5,427,609

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

<u>Proprietary Fund Types</u>		<u>Totals</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>
<u>\$ 47,450</u>	<u>\$ 117,868</u>	<u>\$ 3,645,387</u>
<u>\$ 47,450</u>	<u>\$ 117,868</u>	<u>\$ 3,645,387</u>
<u>\$</u>	<u>\$</u>	<u>\$ 47,056</u>
<u>\$</u>	<u>\$</u>	<u>5,040,974</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,088,030</u>
<u>\$ 47,450</u>	<u>\$ 117,868</u>	<u>\$ 8,733,417</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Capital Lease (Note 4)	\$ 20,331	\$ 26,725	\$
Bonds:			
Series 1997 (Note 6)			5,160,000
Payroll Revolving Account	57,207		
Notes Payable (Note 5)	49,671	271,625	
Total Liabilities	<u>\$ 127,209</u>	<u>\$ 298,350</u>	<u>\$ 5,160,000</u>
<u>Equity</u>			
Fund Balances:			
Reserved	\$	\$ 214,901	\$ 267,609
Unreserved	2,500,030		
Total Equity	<u>\$ 2,500,030</u>	<u>\$ 214,901</u>	<u>\$ 267,609</u>
Total Liabilities and Equity	<u><u>\$ 2,627,239</u></u>	<u><u>\$ 513,251</u></u>	<u><u>\$ 5,427,609</u></u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Proprietary Fund Types		Totals
		(Memorandum Only)
Enterprise	Internal Service	
\$	\$	\$ 47,056
		5,160,000
		57,207
		321,296
\$ 0	\$ 0	\$ 5,585,559
\$ 47,450	\$ 117,868	\$ 647,828
		2,500,030
\$ 47,450	\$ 117,868	\$ 3,147,858
\$ 47,450	\$ 117,868	\$ 8,733,417

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES

BOYLE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Joint Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,230,745	\$ 1,093,932	\$ 1,211,499	\$ 45,768
Other Financing Sources:				
Transfers In	17,150	200,000	435,150	
Borrowed Money				
Kentucky Advance Revenue Program	1,380,800	3,300		
Transfers From Fiscal Court				
Total Cash Receipts	<u>\$ 5,628,695</u>	<u>\$ 1,297,232</u>	<u>\$ 1,646,649</u>	<u>\$ 45,768</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,252,233	\$ 1,304,060	\$ 1,555,337	\$ 18,121
Other Financing Uses:				
Transfers Out	1,232,300			
Transfers To Municipal Properties Corporation	79,777		140,000	
KACO Leasing Trust Principal		33,783		
Bonds:				
Principal Paid				
Interest Paid				
Borrowed Money Repaid	26,018			
Kentucky Advance Revenue Program Repaid	1,380,800	3,300		
Total Cash Disbursements	<u>\$ 5,971,128</u>	<u>\$ 1,341,143</u>	<u>\$ 1,695,337</u>	<u>\$ 18,121</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (342,433)	\$ (43,911)	\$ (48,688)	\$ 27,647
Cash Balance - July 1, 2002	<u>2,666,270</u>	<u>76,717</u>	<u>137,286</u>	<u>39,858</u>
Cash Balance - June 30, 2003	<u>\$ 2,323,837</u>	<u>\$ 32,806</u>	<u>\$ 88,598</u>	<u>\$ 67,505</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

General Fund Type		Special Revenue Fund Type			
Jail Fund	State Surplus Fund	Enhanced 911 Fund	TEA-21 Fund	Emergency Medical Services Fund	
\$ 15,374	\$ 228,856	\$ 154,390	\$ 384,421	\$ 849,438	
130,000	258,398			450,000	
	219,000			108,000	
<u>\$ 145,374</u>	<u>\$ 706,254</u>	<u>\$ 154,390</u>	<u>\$ 384,421</u>	<u>\$ 1,407,438</u>	
\$ 118,205	\$ 831,635	\$ 202,527	\$ 43,173	\$ 1,314,035	
	17,150		241,248		
				17,499	
	29,158			26,217	
<u>\$ 118,205</u>	<u>\$ 877,943</u>	<u>\$ 202,527</u>	<u>\$ 284,421</u>	<u>\$ 1,357,751</u>	
\$ 27,169	\$ (171,689)	\$ (48,137)	\$ 100,000	\$ 49,687	
9,786	245,553	250,348		60,764	
<u>\$ 36,955</u>	<u>\$ 73,864</u>	<u>\$ 202,211</u>	<u>\$ 100,000</u>	<u>\$ 110,451</u>	

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

	<u>Debt Service Fund Type</u>		
	Bond Debt Retirement Fund	Municipal Public Properties Corporation	Totals (Memorandum Only)
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 222,801	\$	\$ 8,437,224
Other Financing Sources:			
Transfers In			1,490,698
Borrowed Money			327,000
Kentucky Advance Revenue Program			1,384,100
Transfers From Fiscal Court		481,161	481,161
Total Cash Receipts	<u>\$ 222,801</u>	<u>\$ 481,161</u>	<u>\$ 12,120,183</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$ 8,639,326
Other Financing Uses:			
Transfers Out			1,490,698
Transfers To Municipal Properties Corporation	261,384		481,161
KACO Leasing Trust Principal Bonds:			51,282
Principal Paid		205,000	205,000
Interest Paid		276,161	276,161
Borrowed Money Repaid			81,393
Kentucky Advance Revenue Program Repaid			1,384,100
Total Cash Disbursements	<u>\$ 261,384</u>	<u>\$ 481,161</u>	<u>\$ 12,609,121</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (38,583)	\$	\$ (488,938)
Cash Balance - July 1, 2002	<u>306,192</u>	<u>119,026</u>	<u>3,911,800</u>
Cash Balance - June 30, 2003	<u>\$ 267,609</u>	<u>\$ 119,026</u>	<u>\$ 3,422,862</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPES

BOYLE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPES

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type Jail Canteen Fund	Internal Service Fund Type Health Program Fund	Totals (Memorandum Only)
<u>Cash Receipts</u>			
Receipts	\$ 79,336	\$ 551,932	\$ 631,268
Total Cash Receipts	\$ 79,336	\$ 551,932	\$ 631,268
<u>Cash Disbursements</u>			
Expenditures	\$ 85,289	\$ 595,286	\$ 680,575
Total Cash Disbursements	\$ 85,289	\$ 595,286	\$ 680,575
Excess of Cash Receipts Under Cash Disbursements	\$ (5,953)	\$ (43,354)	\$ (49,307)
Cash Balance - July 1, 2002	53,403	161,222	214,625
Cash Balance - June 30, 2003	\$ 47,450	\$ 117,868	\$ 165,318

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type Jail Canteen Fund	Internal Service Fund Type Health Program Fund	Totals (Memorandum Only)
<u>Cash Receipts</u>			
Receipts	\$ 79,336	\$ 551,932	\$ 631,268
Total Cash Receipts	\$ 79,336	\$ 551,932	\$ 631,268
<u>Cash Disbursements</u>			
Expenditures	\$ 85,289	\$ 595,286	\$ 680,575
Total Cash Disbursements	\$ 85,289	\$ 595,286	\$ 680,575
Excess of Cash Receipts Under Cash Disbursements	\$ (5,953)	\$ (43,354)	\$ (49,307)
Cash Balance - July 1, 2002	53,403	161,222	214,625
Cash Balance - June 30, 2003	\$ 47,450	\$ 117,868	\$ 165,318

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Boyle County Municipal Properties Corporation as part of the reporting entity, which was audited by other auditors.

Boyle County Municipal Properties Corporation

The Boyle County Municipal Properties Corporation is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists of fiscal court members and the debt service payments rely upon transfers from the County's funds. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

Additional - Boyle County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Boyle County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Boyle County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Joint Jail Fund, Local Government Economic Assistance Fund, and the Jail Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Boyle County Special Revenue Fund Type includes the following county funds: State Surplus Fund, Enhanced 911 Fund, TEA-21 Fund, and Emergency Medical Services Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Bond Debt Retirement Fund and the Boyle County Municipal Properties Corporation. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Internal Service Fund Type

Internal Service Fund Type accounts for the financing of goods or services provided by one governmental department or agency to another. The Health Program Fund of the Fiscal Court of the Fiscal Court is reported as an Internal Service Fund Type.

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Boyle County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Boyle County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Boyle County Municipal Properties Corporation because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type and Debt Service Fund Type to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

E. Cash and Investments

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Boyle County Fiscal Court: Perryville Battlefield Association and Water Districts.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Boyle County Fiscal Court and City of Danville: Parks and Recreation.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$373,951 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with each of its depository institutions securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2003.

	<u>Bank Balance</u>
FDIC Insured	\$ 667,809
Collateralized with securities held by pledging depository institution in the county's name	3,173,395
Uncollateralized and uninsured	<u>373,951</u>
Total	<u><u>\$ 4,215,155</u></u>

Note 4. Capital Lease Agreements

A. On January 16, 2002, the Boyle County Fiscal Court entered into a \$49,500 lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease was for the purchase of an ambulance. The interest rate is 3.25 percent for a period of three years, and principal and interest is paid monthly. The outstanding principal balance was \$26,725 as of June 30, 2003. Future principal and interest requirements under this lease are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 751	\$ 16,719
2005	<u>131</u>	<u>10,006</u>
Totals	<u><u>\$ 882</u></u>	<u><u>\$ 26,725</u></u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Capital Lease Agreements (Continued)

- B. On January 5, 2001, the Boyle County Fiscal Court entered into a \$99,750 lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease was for the purchase of a loader. The interest rate is 3.95 percent for a period of three years, and principal and interest is paid monthly. The outstanding principal balance was \$20,331 as of June 30, 2003. Future principal and interest requirements under this lease are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	<u>\$ 321</u>	<u>\$ 20,331</u>

Note 5. Notes Payable

- A. On February 12, 2002, the Boyle County Fiscal Court entered into an \$85,150 loan arrangement with National City Bank. The loan was for the purchase of rescue vehicles. The interest rate is 3.36 percent for a period of three years, and principal and interest is paid monthly. The outstanding principal balance was \$49,671 as of June 30, 2003. Future principal and interest requirements for this loan are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 1,487	\$ 30,749
2005	<u>992</u>	<u>18,922</u>
Totals	<u>\$ 2,479</u>	<u>\$ 49,671</u>

- B. On August 15, 2002, the Boyle County Fiscal Court entered into a \$108,000 loan arrangement with National City Bank. The loan was for the purchase of an ambulance and remount. The interest rate is 2.77 percent for a period of three years, and principal and interest is paid monthly. The outstanding principal balance was \$81,783 as of June 30, 2003. Future principal and interest requirements for this loan are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 1,844	\$ 35,737
2005	823	36,759
2006	<u>43</u>	<u>9,287</u>
Totals	<u>\$ 2,710</u>	<u>\$ 81,783</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Notes Payable (Continued)

C. On December 19, 2002, the Boyle County Fiscal Court entered into a \$219,000 loan arrangement with National City Bank. The loan was for the purchase of softball field lighting. The interest rate is 2.64 percent for a period of three years, and principal and interest is paid monthly. The outstanding principal balance was \$189,842 as of June 30, 2003. Future principal and interest requirements for this loan are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 4,215	\$ 71,930
2005	2,256	73,889
2006	395	44,023
Totals	<u>\$ 6,866</u>	<u>\$ 189,842</u>

Note 6. Bond Indebtedness Information

The following is a summary of some of the significant provisions of the Series of 1997 bond issue held by the Boyle County Municipal Properties Corporation:

Paramount of original issue	\$5,935,000
Discount on original issue	\$118,566
Rate of interest on remaining issue	4.75% to 5.30%
Bonds Due	February 1
Interest Due	February 1 and August 1
First principal payment	February 1, 2000
Last principal payment	February 1, 2019

Call Provisions:

1997 Series bonds maturing on and after February 1, 2008, are subject to redemption prior to maturity at the option of the Corporation (and upon its written discretion to the Trustee) on February 2007, and on any date thereafter in whole or from time to time in part in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by lot by the Trustee) at the following prices (expressed as percentages of principal amount) plus interest accruing to the redemption date:

February 1, 2007, and prior to February 1, 2008	102%
February 1, 2008, and prior to February 1, 2009	101%
February 1, 2009, and thereafter	100%

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Bond Indebtedness Information (Continued)

The following is a summary of the remaining principal and interest requirements of the Series of 1997 as of June 30, 2003:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 266,424	\$ 215,000
2005	255,943	230,000
2006	244,730	240,000
2007	233,030	250,000
2008	220,843	265,000
2009-2013	891,703	1,525,000
2014-2018	446,525	1,975,000
2019	24,380	460,000
Totals	<u>\$ 2,583,578</u>	<u>\$ 5,160,000</u>

Note 7. Jail Inmate Account

Presentation of Changes in Assets and Liabilities is required for Trust and Agency Funds. The Jail Inmate Account is presented as a Trust and Agency Fund; therefore, presentation of this information is required.

Jail Inmate Account	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Assets:				
Cash With Fiscal Agents	\$ 42,864	\$ 171,060	\$ 184,107	\$ 29,817
Total Assets	<u>\$ 42,864</u>	<u>\$ 171,060</u>	<u>\$ 184,107</u>	<u>\$ 29,817</u>
Liabilities:				
Amounts Held In Custody				
For Others	\$ 42,864	\$ 171,060	\$ 184,107	\$ 29,817
Total Liabilities	<u>\$ 42,864</u>	<u>\$ 171,060</u>	<u>\$ 184,107</u>	<u>\$ 29,817</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Health Program Fund

The Boyle County Health Program Fund provides health insurance coverage to county employees. The county transfers from each fund (General, Road, Joint Jail, and Emergency Medical Services), the amount for a single policy for each employee who is eligible and elects to receive insurance from the county. Any employee who selects a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from their paychecks. Premiums are determined by the county based on the recommendations submitted to them by the reinsurer.

Boyle County also carries insurance to pay claims in excess of \$20,000 per person per incident. Additionally, its reinsurer pays for all claims in one plan year over a specified dollar amount. The county pays for all expenditures during a plan year, and the amount to be paid by the reinsurer is reimbursed to the county at the end of the plan year.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BOYLE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,761,380	\$ 4,230,745	\$ 469,365
Road and Bridge Fund	913,080	1,093,932	180,852
Joint Jail Fund	1,256,419	1,211,499	(44,920)
Local Government Economic Assistance Fund	25,350	45,768	20,418
Jail Fund	13,250	15,374	2,124
<u>Special Revenue Fund Type</u>			
State Surplus Fund	338,500	228,856	(109,644)
Enhanced 911 Fund	118,000	154,390	36,390
TEA-21 Fund	863,662	384,421	(479,241)
Emergency Medical Services Fund	670,900	849,438	178,538
<u>Debt Service Fund Type</u>			
Bond Debt Retirement Fund	224,659	222,801	(1,858)
<u>Internal Service Fund Type</u>			
Health Program Fund	<u>568,000</u>	<u>551,932</u>	<u>(16,068)</u>
Totals	<u>\$ 8,753,200</u>	<u>\$ 8,989,156</u>	<u>\$ 235,956</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 8,753,200
Add: Budgeted Prior Year Surplus			3,669,478
Less: Other Financing Uses			<u>(654,577)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 11,768,101</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

BOYLE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>GOVERNMENTAL FUND TYPE</u>			
<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>
Taxes	\$ 3,006,475	\$ 82,607	\$
Excess Fees	352,173		
Licenses and Permits	35,343		
Intergovernmental Revenues	2,651,261	588,364	214,659
Charges for Services	77,265	826,079	
Miscellaneous Revenues	373,346	112,919	
Interest Earned	101,455	7,136	8,142
Total Operating Revenue	<u>\$ 6,597,318</u>	<u>\$ 1,617,105</u>	<u>\$ 222,801</u>

BOYLE COUNTY
 SCHEDULE OF OPERATING REVENUE
 For The Fiscal Year Ended June 30, 2003
 (Continued)

PROPRIETARY
FUND TYPE

Internal Service Fund Type	Totals (Memorandum Only)
\$ 550,008	\$ 3,639,090
	352,173
	35,343
	3,454,284
	903,344
	486,265
<u>1,924</u>	<u>118,657</u>
<u>\$ 551,932</u>	<u>\$ 8,989,156</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BOYLE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,529,768	\$ 1,412,755	\$ 117,013
Protection to Persons and Property	1,658,879	1,499,427	159,452
General Health and Sanitation	836,491	726,545	109,946
Social Services	89,200	88,600	600
Recreation and Culture	362,906	357,311	5,595
Transportation Facilities and Services	23,650	21,596	2,054
Roads	774,638	709,769	64,869
Airports	16,110	16,102	8
Debt Service	2,059	1,828	231
Capital Projects	440,431	425,431	15,000
Administration	1,994,084	988,592	1,005,492
Total Operating Budget - General Fund Type	\$ 7,728,216	\$ 6,247,956	\$ 1,480,260
Other Financing Uses:			
Transfers to Municipal Properties			
Corporation	260,518	219,777	40,741
Borrowed Money-			
Principal			
Rescue Vehicles	26,018	26,018	
KACO Leasing Trust Equipment Lease-			
Principal - Loader	33,783	33,783	
TOTAL BUDGET - GENERAL FUND TYPE	\$ 8,048,535	\$ 6,527,534	\$ 1,521,001

BOYLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 1,301,589	\$ 1,239,009	\$ 62,580
Social Services	738,623	364,246	374,377
Recreation and Culture	568,917	483,567	85,350
Debt Service	9,284	4,214	5,070
Capital Projects	27,132	26,995	137
Administration	424,992	273,339	151,653
Total Operating Budget - Special Revenue Fund Type	\$ 3,070,537	\$ 2,391,370	\$ 679,167
Other Financing Uses:			
Borrowed Money-			
Principal			
Softball Field Lighting	29,158	29,158	
Ambulance and Remount	26,217	26,217	
KACO Leasing Trust Equipment Lease-			
Principal - Ambulances	17,499	17,499	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 3,143,411	\$ 2,464,244	\$ 679,167

BOYLE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service Administration	\$ 1 263,869	\$	\$ 1 263,869
Total Operating Budget - Debt Service Fund Type	\$ 263,870	\$	\$ 263,870
Other Financing Uses: Transfers to Municipal Properties Corporation	261,384	261,384	
TOTAL BUDGET - DEBT SERVICE FUND TYPE	<u>\$ 525,254</u>	<u>\$ 261,384</u>	<u>\$ 263,870</u>

INTERNAL SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Administration	\$ 705,478	\$ 595,286	\$ 110,192
TOTAL BUDGET - INTERNAL SERVICE FUND TYPE	<u>\$ 705,478</u>	<u>\$ 595,286</u>	<u>\$ 110,192</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Boyle County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Boyle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed –
September 3, 2004

COMMENT AND RECOMMENDATION

BOYLE COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

REPORTABLE CONDITION

None

NONCOMPLIANCE

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 2003, \$373,951 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Tony Wilder's Response:

All deposits are properly collateralized and written agreements were obtained.

PRIOR YEAR FINDING

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

This has not been corrected and is repeated.

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

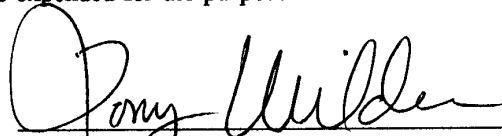
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Tony W. Wilder
County Judge/Executive



Mary C. Lynn
County Treasurer

